No. .....

Supreme Court, U.S.
FILED
MAY 8 1967
JOHN F. DAVIS, CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1966

UNITED STATES PLYWOOD CORPORATION,

Petitioner,

vs.

GENERAL PLYWOOD CORPORATION,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

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GENERAL PLYWOOD CORPORATION,

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PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

Petitioner, United States Plywood Corporation, prays that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Sixth Circuit in the above-entitled case.

Opinions Below

The opinion of the Court of Appeals rendered on December 28, 1966 is reported at 370 F. 2d 500, and is reprinted in the Supplemental Appendix, page SA 8,[1] *infra*. A timely Petition for Rehearing and for Revision was denied on February 8, 1967, except insofar as the opinion was revised by an Order entered on that date and reprinted at SA 25. The opinion of the District Court for the Western District of Kentucky is reported at 230 F. Supp. 831, and is reprinted at 41a.

Jurisdiction

The jurisdiction of this Court is invoked pursuant to 28 U.S.C. Sec. 1254 (1). The basis of jurisdiction in the District Court was 28 U.S.C. Secs. 1338(a) and 2201. The judgment sought to be reviewed is that of December 28, 1966 (SA-36) as affirmed on rehearing on February 8, 1967 (SA-25).

Questions Presented

1. Does a court have jurisdiction to adjudge and decree a patent to be valid where it is not infringed, in the face of the Constitutional limitation of federal jurisdiction to "Cases" and "Controversies" (Art. III, Sec. 2, Clause 1), and in the face of the Declaratory Judgment Act limitation of federal jurisdiction to a "case of actual controversy" (28 U.S.C. 2201)?

2. Has the Court of Appeals for the Sixth Circuit misconstrued the standard of patentability set in this Court's

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[1] Pages in the Appendix printed for the Court of Appeals are referred to as "—a." Those of the Supplemental Appendix printed herein for this Petition are referred to as "SA—."

recent decision in *Graham* v. *John Deere Co.* (383 U. S. 1) in holding valid a patent on a wood buffing process which simply uses a prior-art polishing belt in a prior art machine to glossify a wood surface?

3. Has 35 U.S.C. 112 abrogated the rule of this Court expresed in *Halliburton Oil Well Cementing Co. v. Walker*, 329 U. S. 1 (1946), that an invention may not be validly claimed "in terms of what it will do rather than in terms of its own physical characteristics?"[2]

Constitutional Provisions and Statutes Involved

This case involves Article I, Section 8, Clause 8 and Article III, Section 2, Clause 1 of the Constitution; Section 2201 of Title 28, United States Code; Sections 101, 102, 103, 112, and 135 of Title 35, United States Code; and Title 37, Part 1, Code of Federal Regulations, Section 1.203. These provisions are set forth at SA 1.

Statement of the Case

Petitioner, United States Plywood Corporation (USP) and Respondent, General Plywood Corporation (GPC) are competitors in the manufacture and sale of prefinished plywood panels for interior use in housing and office building. In 1958, U.S. Patent 2,827,935 (3056a) was issued to GPC as assignee of G. E. Alexander. Thereafter, GPC charged USP with infringement. USP then brought this declaratory judgment action under 28 U.S.C. 2201 and the 1952 Patent Act, 35 U.S.C., to adjudicate its non-liability to GPC, because of its non-infringement or invalidity of the

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[2] *Halliburton*, 329 U. S. at 9.

patent, or both. The District Court decreed the patent to be valid and not infringed[3] (50a), and the Court of Appeals affirmed on cross-appeals by both parties (SA 24).

As the title indicates, the Alexander patent (3056a) relates to a "METHOD FOR TREATING WOOD SURFACES," the method being illustrated by the drawing of the patent appearing on the following page.

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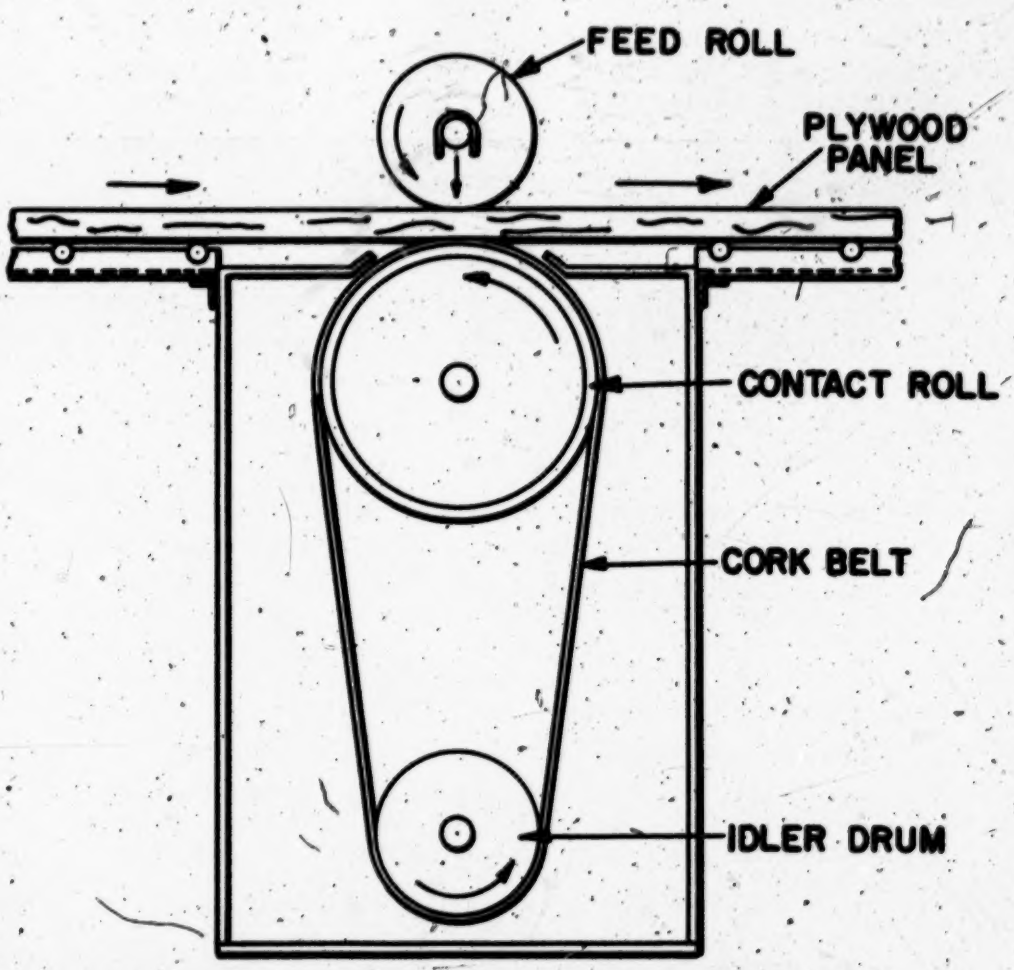
[3] GPC also counterclaimed for patent infringement and for breach of a supposed confidential relationship; both of these counterclaims were dismissed, and the dismissal was affirmed on appeal. These issues are not involved in the present petition.



ALEXANDER PATENT 2,827,935
IN ISSUE

In essence the patent describes nonabrasively rubbing wood panels in the white[4] with a cork, canvas or cloth (3058a, col. 3, lines 9-17) belt under conditions of speed and pressure to produce desired results, particularly surface glossification (SA 12). The machine described for carrying out the process is a prior-art machine of the "Timesavers" brand type. Both the machine and the belt were admittedly old at the time of the alleged invention. The range of the speed of the belt and of the pressure with which it rubs against the panel was also old.[4a]

As seen in the annexed diagram, the machine has a feed roll which rotates counterclockwise to move a plywood panel through the machine from left to right. The contact roll and idler drum drive the non-abrasive cork belt in the opposite direction at a high speed so as to rub the belt against, and thereby polish, the bottom of the panel as the panel moves through the machine.

During the prosecution of the Alexander application in the Patent Office the Examiner noted (3052a) that it appeared to interfere with Judd Patent No. 2,765,598

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[4] "In the white" means before finishing liquids (such as fillers, stains, or lacquers) are applied to the wood (SA 9).

[4a] The patentee Alexander testified as follows (3696a):

"Q. Now, I just want to make sure that the record speaks clearly on a number of points that have been labored before. You didn't invent the Timesaver Machine, did you, Mr. Alexander?

A. No, sir, I did not.

Q. Nor its range of feed speeds?

A. No, sir, I did not.

Q. Or its range of pressures?

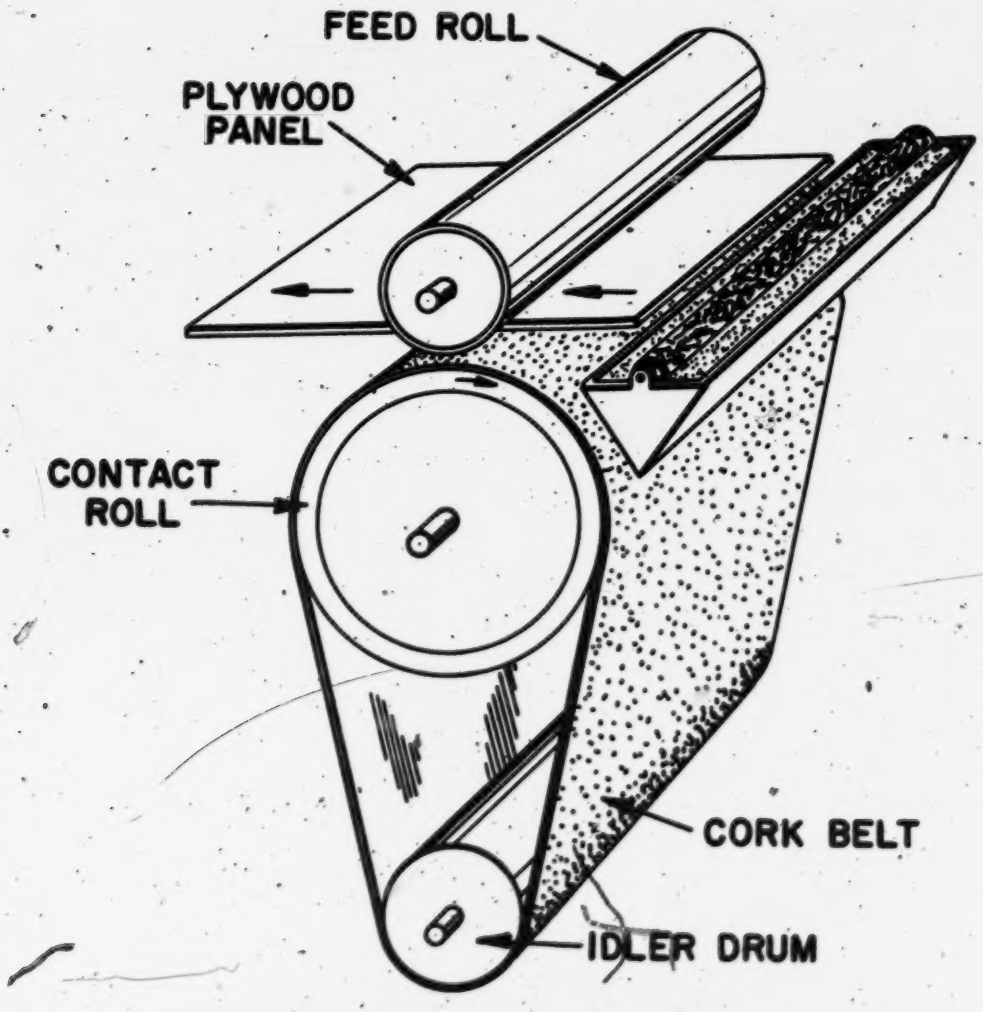
A. No, sir, I did not.

Q. Or its belt speed?

A. No, sir, I did not.

Q. The ranges of feed speeds and pressures and the belt speed are all within the range of Microsealing, are they not?

(*Footnote continued on page* 8)



JUDD PATENT 2,765,598

illustrated by the drawing on the preceding page.[5]

This placed GPC in a dilemma. The processes claimed by Judd and Alexander were either the same or different. If they were the same, the only way that GPC could obtain patent rights to the process was by way of an interference proceeding (35 USC 135).[6] If the processes were different the only way that GPC could obtain patent rights to its process was to attempt to patentably distinguish its process from Judd's process. If GPC chose the latter course, GPC would in effect disclaim the Judd process and be forced to confine its patent to matter not claimed by Judd.[7]

(Footnote continued from page 6)

Mr. Blair: Within the range?

Mr. Groner: Yes.

Mr. Blair: You mean by that entirely encompassed within the range of Microsealing?

Q. I mean to Microseal, you will operate within the range of feed speeds of the Timesaver Machine, within the range of pressures of the Timesaver Machine and you can operate at the belt speed of the Timesaver Machine, isn't that correct?

A. If I understand you correctly, it is, sir.

Q. You didn't invent the cork belt, did you?

A. No, sir.

Q. Or any of the other belts with which we have been concerned from 1/0 through 10/0?

A. I had no part in inventing any of those belts, sir."

[5] The machine of the GPC Alexander patent and that of Judd patent are virtually identical because they relate to the same process. Judd was a salesman for Minnesota Mining and Manufacturing Company (3M), and as the Court of Appeals points out (SA 10) worked closely with Alexander on the process. A dispute between GPC and 3M arose as to rights to the process, and 3M caused the Judd patent to be filed. This dispute was finally settled by 3M's agreement to dedicate the Judd patent to the public in exchange for GPC's agreement not to sue 3M on the GPC patent or on any improvements to it (3388a). The question of priority of inventorship as between Judd and Alexander is irrelevant here since petitioner does not claim on this petition that Judd was the prior inventor of the process claimed in the Alexander patent. These facts are related solely for the purpose of explaining the reasons for the virtual identity of the Alexander and Judd patents.

[6] The Patent Act (35 USC 135) provides that "The question of priority of invention shall be determined by a board of patent interferences . . ."

[7] Patent Office Rule 203(b) (37 C.F.R. 1.203b) provides that "failure or refusal of any applicant to make any claim suggested

(Footnote continued on following page)

GPC elected to disclaim the process claimed by Judd[8] and to amend its claim by adding a "distinguishing element" as suggested by the Examiner, in an attempt to overcome Judd (3051-3a). GPC's claim before and after amendment is shown below,[9] the matter deleted from the claim being bracketed and the matter added being italicized. The only real change in the claim was the addition of the step "correlatively controlling the buffing speed, pressure and time".[10] After this change was made the Examiner and

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(Footnote continued from preceding page)

. . . shall be taken . . . as a disclaimer of the invention covered by that claim . . ." Thus, despite the fact that Judd had a later effective filing date (since Alexander relies on the date of his abandoned parent application Ser. No. 566,690 filed February 20, 1966) the Judd claim is prior art by reason of file wrapper estoppel. *Application of Tobias*, 343 F. 2d 495, 496 (CCPA 1965).

[8] Judd patent Claim 1 reads:

"The method of providing a substantially flat, nib-possessing wood surface with a glossy and relatively non-porous finish comprising buffing the surface under light and uniform pressure with a durable, resiliently-backed, heat resistant sheet faced with small closely spaced resilient particles for a time sufficient to embed the nibs inso said surface without scorching the wood." (3069a)

Following claims are similar, reciting the particles as being of cork.

[9] The method of providing a substantially flat wood surface with a glossy and relatively non-porous finish comprising; non-abrasively buffing the surface [under light and uniform pressure] with a buffing medium having a flexible yielding relatively non-abrasive frictional heat insulating rubbing surface *moving at a predetermined buffing speed;* [and pressing] *compressing the buffing medium between a backing member and said wood surface to press* the buffing medium [with a backing member] into intimate and firm contact with said surface [for a time sufficient to]; *and correlatively controlling the buffing speed, pressure and time to compress,* pressure smooth and densify the surface wood without scorching the wood."

[10] The District Court statement that Alexander's deletion by this amendment of "any statement that his process involved the application of light pressure upon the wood . . . distinguished his process from that described in the Judd patent" (46a) is incorrect. The deletion of the phrase "under light and uniform pressure" from Alexander's claim was not significant, since Judd used this phrase to cover pressure "sufficient to heat . . . substantially but short of the time at which scorching is encountered" (3069a, Col. 3, lines

(Footnote continued on following page)

GPC's attorney "agreed[11] that claim 19 (now patent claim 11) as amended is allowable" (3053a) and the patent subsequently issued with this claim 11, which is the claim which both lower courts treated as representative of the patent.

In USP's accused processes, no cork or cloth belt was used. USP used a fine sandpaper (of 8/0, 9/0 and 10/0 fineness)[11a] which both the District Court and the Court of Appeals found to be abrasive, rather than non-abrasive like Alexander's cork, canvas or cloth belt, and principally on this ground, among others, the patent was adjudged to be non-infringed by both courts below.

The validity of the patent was also considered by the District Court, which found it to be valid, discussing in its opinion only the Judd patent and with no discussion of other prior art relied on by petitioner (46-47a). The decree specifically held the patent to be valid (50a). On cross appeals by both parties, the holding of validity was affirmed, without discussion of any of the prior art (SA 18-19); this is the subject of Question 2 above. The Court made no reference to the matter of vagueness or functionality of the patent claims, which is the subject of Question

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(Footnote continued from preceding page)

52-53). This is the same pressure as called for in the Alexander patent, namely, "the best results are obtained when the temperature of the wood approaches its scorching temperature . . ." (3060a, Col. 7, lines 68-69). The identity of Judd and Alexander's pressures is further borne out by GPC's Alexander Canadian application which claims exactly this "light and uniform pressure," having copied the Judd claims verbatim (3755a; 3277a, claims 1-3).

[11] This agreement is reminiscent of a similar agreement discussed by this Court in the *Graham* suit, *supra* (383 U. S. at 33-34). In both instances the agreement was reached during a personal interview with the Examiner, and subject to the same defects of inadequate public representation and inadequate presentation of both sides to the controversy.

[11A] The "8/0, 9/0, and 10/0" reference relates to relative fineness of the grit of abrasive belts. For example 2/0 is also classified as a "medium" grit, 5/0 as a "fine" grit, and 8/0, 9/0 and 10/0 as "very fine" grits (3454-55a).

3 above. The Court of Appeals also expressly upheld inclusion of the adjudication of validity in the decree (SA 19), which is the subject of Question 1 above.

Reasons for Allowance of the Writ

This Court in its recent series of decisions in the field of patent law[12] has given recognition to the important effects of the patent law on the public. The entire patent system is presently under serious study by the Congress, bench, bar and public at large for the purpose of revising it to bring it into better conformance with today's needs. There is no question of the patent system's importance to the public in promoting the progress of science and the useful arts. But equally important is the vigilance of the Courts to protect the public against efforts at stifling the progress of the arts by subversion or misinterpretation of the purposes of the patent system.

This case is one where the lower courts have failed in the exercise of this vigilance. This failure occurred as to three important questions, none of which can be adequately remedied by Congressional revision of the Patent Act, and each of which requires judicial action by this Court. The first and third questions involve serious conflicts between the circuits on important patent issues. The second question involves a grave misconstruction of this Court's most recent *Graham* decision in such a way as to effectively reduce, indeed nullify, the ameliorative effect of that decision as to process claims of the type here involved. None of these three questions involves issues of fact. The facts relevant to these questions which are relied on herein are indisputable on the record below, as will be shown. Thus this case presents a unique opportunity for this Court,

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[12] *Graham* v. *John Deere Co.*, 383 U. S. 1; *Calmar Inc.* v. *Cook Chemical Co.*, 383 U. S. 1; *United States* v. *Adams*, 383 U. S. 39; *Walker Process Equip.* v. *Food Mach. Chem. Corp.*, 382 U. S. 172; *Hazeltine Research Inc.* v. *Brenner*, 382 U. S. 252; *Brenner* v. *Manson*, 383 U. S. 519.

which is now most acutely attuned to the needs of the patent system, to correct serious faults which have worked their way into the law by gradual erosion of rules set by this Court in the past.

I. The Sixth Circuit Court of Appeals Is in Direct Conflict With This Court and Other Circuit Courts of Appeals on the Important Question of Jurisdiction to Adjudge and Decree a Patent to Be Valid in the Absence of Infringment

The jurisdiction of federal courts is limited by the Constitution to "Cases" and "Controversies", and is limited by Title 28 in Declaratory Judgment actions of the type herein to a "case of actual controversy."[13] This Court has applied this jurisdictional limitation in patent cases to require a lower court to reform its final decree by deleting the adjudication of validity in the absence of infringement.[14] This Court has further said:

> "To hold a patent valid if it is not infringed, is to decide a hypothetical case."[15]

The First, Second and Ninth Circuits have followed this principle.[16]

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[13] Constitution, Art. III, Sec. 2, cl. 1; 28 U.S.C. Sec. 2201 (SA 1-2).

[14] *Electrical Fittings Corp.* v. *Thomas & Betts Co.*, 307 U. S. 241 (1938).

[15] *Altvater* v. *Freeman*, 319 U. S. 359, 363 (1943), citing with approval *Cover* v. *Schwartz*, 133 F. 2d 541, 545 (2nd Cir. 1942), cert. denied, 319 U. S. 748, which held: "For, once the issue of infringement is decided against the patentee, there exists no case or controversy justifying a decision in his favor that the patent is valid. . : . The holder of the patent has no dispute with the person who is not infringing or threatening to infringe."

[16] *Hap Corp.* v. *Heyman Mfg. Co.*, 311 F. 2d 839, 844 (1st Cir. 1962), cert. denied, 373 U. S. 903; *Addressograph-Multigraph Corp.* v. *Cooper*, 156 F. 2d 483, 485 (2nd Cir. 1946); *Cover* v. *Schwartz*, 133 F. 2d 541 (2nd Cir. 1942); *R. H. Baker & Co.* v. *Smith-Blair, Inc.*, 331 F. 2d 506, 507-8 (9th Cir. 1964); *National Screw & Mfg. Co.* v. *Voi-Shan Industries, Inc.*, 347 F. 2d 1, 3 (9th Cir. 1965).

The Sixth Circuit stands alone among the circuits as having passed squarely on this point in direct conflict with these holdings, having so decided on five occasions inclusive of this one.[17]

This is not simply a sterile semantic problem of reforming a decree. Judge Frank of the Second Circuit high-

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[17] *Aluminum Co. of America* v. *Thompson Products*, 122 F. 2d 796, 799 (6th Cir. 1941); *Crampton Mfg. Co.* v. *Crampton*, 153 F. 2d 543 (6th Cir. 1946), cert. denied, 328 U. S. 840 (Note dissent of Chief Judge Simons at 153 F. 2d 546-7, stating, "Just as there can be no infringement of a void patent, so it is clear to me that to hold patent claims valid as against a noninfringer, is to decide a hypothetical case. . . . '(W)e may not declare them, or direct an amendment of the decree to adjudicate validity proscribed by the Thomas & Betts case.'"); *Sparton Corp.* v. *Evans Products Co.*, 293 F. 2d 699, 705-6 (6th Cir. 1961), cert. denied, 368 U. S. 967 (1962); *Maytag Company* v. *Murray Corp. of America*, 318 F. 2d 79 (6th Cir. 1963). This conflict of the Sixth Circuit with the other circuits has been judicially noted in *Aurex Corp.* v. *Beltone Hearing Aid Co.*, 236 F. 2d 644 at 649 (7th Cir. 1956). Other circuits such as the Fourth Circuit in *Harford A. & B. Ass'n* v. *Puett Elec. Start. Gate Corp.*, 182 F. 2d 608 (4th Cir. 1950), cert. denied, 340 U. S. 878, and the Fifth Circuit in *Georgia Kaolin Co.* v. *Thiele Kaolin Co.*, 228 F. 2d 267 (5th Cir. 1955), have upheld patents as valid but not infringed, but there is no indication that the question of propriety of such judgments from the viewpoint of jurisdiction was raised. There may be other such decisions, but as Judge Frank said in *Wabash Corp* v. *Ross Electric Corp.*, 187 F. 2d 577, 594 (2nd Cir. 1951), cert. denied, 342 U. S. 820: "Very likely it was because appellee did not suggest deletion that this court overlooked the necessity for a deletion order. Such an inadvertent omission does not create a precedent. As Mr. Justice Sutherland said: 'Questions which merely lurk in the record, neither brought to the attention of the court nor ruled upon, are not to be considered as having been so decided as to constitute precedents.'" (citing *Webster* v. *Fall*, 266 U. S. 507, 511)

lighted the evils resulting from "gratuitously"[18] declaring patent validity in the absence of infringement as done here:

> "(1) It is a decision of a hypothetical case, and as such, is improper, and perhaps unconstitutional.
>
> "(2) It may, in future litigation, unfairly prejudice the successful defendant.
>
> "(3) It gives the patent owner, gratuitously, a highly persuasive precedent for use in litigation, or threatened litigation with other prospective defendants, thereby hurting the public interest."[19]

Judge Frank's well reasoned and highly lucid opinion on this question further points out that such "judicial benedictions" of validity enable the losing patentee "to threaten other less well-heeled competitors with the notorious expense of patent litigation, and thereby coerce them

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[18] *Wabash Corp.* v. *Ross Electric Corp., supra,* 187 F. 2d at 588-9. In this decision Judge Chase and Judge Frank of the Second Circuit disagreed strongly with each other as to whether it is appropriate for a lower court to even "tentatively" hold a patent valid though not infringed so that, in the event the Court of Appeals reverses the noninfringement decision, it may then summarily dispose of the case. Judge Chase argued that such tentative holdings are proper; Judge Frank disagreed. Both judges agreed that the *decree* should not adjudicate validity in the absence of infringement.

[19] As aptly stated in *Gratuitous Findings of Validity: A Judicial Gift to Patentees,* 61 Yale Law Journal 98, 103 (1952): "But, more important, a patentee may exploit unnecessary findings to stifle competition in the area insulated by his grant. Since patent litigation is a costly matter, competitors carefully weigh their chances of success before undertaking the defense of an infringement suit. If the patentee can back his threat of suit with a judicial pronouncement of his patent validity, competitors are not likely to risk a court battle. Only the most determined infringers will contest a patent once pronounced valid by a court. The others must pay tribute to the patentee for the legal privilege of using his 'invention'. Or if they cannot afford the license fee, they will have to stop using their 'infringing' device. In either event, the benefits of competition are unjustifiably denied the public."

into onerous license agreements, the cost of which would be passed on to the consuming public.'"[20] When a patent owner sues a defendant who can easily prove that he is not infringing, the defendant may not be diligent in his proofs of validity, or he may focus his validity attack on the patent scope asserted by the patentee.[21] Accordingly the trial judge may not receive all of the available evidence on (or give adequate attention to) validity, and may thus declare a patent valid when it is not obviously invalid, but where invalidity would appear only from a more comprehensive presentation of evidence of the prior art. To illustrate this situation, Judge Frank refers to this Court's decisions in *Smith* v. *Snow,* 294 U. S. 1 (1935), where this Court sustained the patent's validity, but later invalidated the same patent in *Smith* v. *Hall,* 301 U. S. 216 (1937), on evidence not offered in the earlier case.[22]

With regard to the *Sinclair* decision[23] Judge Frank held that it requires the trial court to hold a patent invalid, if the "evidence shows a patent to be glaringly invalid." Nothing in *Sinclair* "requires or permits him, in defiance of Electrical Fittings to find that an uninfringed patent is valid." *Sinclair* said that the better practice was that employed in *Cover* v. *Schwartz, supra,* where the Second Circuit Court of Appeals held that, in deciding against a patentee, the court may hold the patent: (1) invalid, (2)

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[20] 187 F. 2d at 589, citing Mr. Justice Jackson's reference in *Muncie Gear Co.* v. *Outboard Co.,* 315 U. S. 759, 768, to the public interest which is "so frequently present but so seldom adequately represented in patent litigation."

[21] As done here, where the lower court said that the patent would be invalid, if given the scope urged by GPC (SA 22).

[22] 187 F. 2d at 590-1

[23] *Sinclair & Carroll Co.* v. *Interchemical Corp.,* 325 U. S. 327 (1945), referred to by the Court below, without discussion (SA 19).

not infringed, or (3) not only invalid but also not infringed, stating:

> *"Where, however, the court finds against the plaintiff as to infringement, it cannot go on to hold in his favor as to validity. For, once the issue of infringement is decided against the patentee, there exists no case or controversy justifying a decision in his favor that the patent is valid."* (Judge Frank's emphasis)[24]

Petitioner commends to the attention of this Court to Judge Frank's entire opinion in *Wabash,* as a noteworthy and persuasive discussion of the issue raised here.

Thus, the public interest is served by striking down an invalid patent: the public is thereby given freedom to use and exploit the unpatentable invention, as it is and should be entitled to do. No such public benefit accrues to a bare decree of validity where infringement is absent. Such a decree leaves uncertain the exact scope of the patent, and leaves undecided what may be the exact meaning of the claimed definition of the patent monopoly. It provides no specific test (such as a definite accused activity) from which to determine what that scope and meaning may be. In short, validity is essentially indeterminate without having a specific criterion against which to measure the scope of the patent. A patent if construed one way may be valid; if construed another way, it may be invalid. A bare decree of validity, in the absence of a specific activity held to infringe, offers no aid to the public as to where the patent monopoly extends, but instead presents the mischief of placing a strengthened *in terrorem* weapon in the hands of the patentee.

These reasons against adjudicating validity in the absence of infringement are particularly compelling here.

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[24] 187 F. 2d at 595-6

The Alexander patent has eight more years of life.[25] Neither of the lower courts has adjudicated precisely what is the valid *scope* of this patent; they have simply held it valid. Quite obviously it is not as broad as GPC asserted it to be, since both lower courts agree that it does not cover the accused operations of USP. Indeed, the Court of Appeals held that, if the patent were accorded the scope asserted for it by GPC, "it would be hard to ascribe to it the novelty, as opposed to prior art, which is required for invention" (SA 22). Nevertheless the lower courts adjudicated it valid as to some undefined scope,[26] and USP will be bound by *res judicata* as to this adjudication and others will be handicapped by the effect of the doctrine of *stare decisis*.

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[25] GPC has a related improvement patent No. 3,219,473 which issued in 1965 and thus has fifteen more years of life (3901a).

[26] The Court of Appeals gave as reasons for its adjudication of validity, that the "issues raised by cross-filed pleadings are complex", that validity is "squarely attacked" by USP, and that the case "involved a lengthy trial of complex facts, most of them bearing directly upon the issue" (SA 19). The same could be said of practically every patent case. Complexity of the issues and length of the trial do not transform a hypothetical question into a justiciable controversy. Nor did validity become justiciable simply because USP sued GPC rather than vice versa. "The requirements of case or controversy are of course no less strict under the Declaratory Judgment Act . . . than in case of other suits." *Alvater, supra*, 319 U. S. at 363. The Court of Appeals cited *Sinclair Co.* v. *Interchemical Corp.*, 325 U. S. 327 (1945), to support its approval of the validity decree. *Sinclair* of course held that it was preferable to *dispose* of patent cases on the ground of *invalidity*—it did not countenance gratuitous adjudication of validity in the absence of infringement. "The [Sinclair] admonition is limited to those cases in which the patent is invalid." *M.O.S. Corp.* v. *John I. Haas Co., Inc.*, —— F. 2d ——, 153 USPQ 153, 155 (9th Cir. 1967). The Court of Appeals next cited *Altvater, supra*, to support its adjudicating validity (SA 19). This conflicts with virtually every other court that has cited *Altvater* on this point. Note the decisions of the other circuits in footnote 16 above, all of which rely on *Altvater* to reach the opposite conclusion. Note also Judge Frank's discussion of this sort of misconstruction of the *Altvater* decision at 187 F. 2d 604-5. The Court of Appeals finally cites its own *Sparton Corp.* decision, *supra*, which is equally as wrong as the decision herein on this point.

Does the valid scope of this patent extend to a somewhat less abrasive operation than USP is now using and if so, how much less abrasive? Does it extend to a somewhat higher belt pressure or speed than USP is now using and if so, how much higher? No one knows, because these conditions were not adjudicated. Despite this, if USP should change to a less abrasive belt or to another pressure or speed of operation, and if GPC sued USP on these changed conditions, USP would be estopped by *res judicata* from contesting the validity of the Alexander patent as to these new operations.[27] And if USP should find additional prior art which would render the patent invalid if construed to be of different scope, it could not assert this prior art, because it would be estopped from challenging validity by the lower court adjudication. The effect on USP is obvious. It cannot afford to take the risk of experimenting with these conditions and thus chance another lawsuit as expensive as this one has been. USP's only alternative is to stand pat for at least the next eight years (or next fifteen years relative to the improvement patent, f.n. 25) on the conditions which have been found not to infringe. This is no way to promote the progress of science and the useful arts.

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[27] The Ninth Circuit Court of Appeals. in *National Screw & Mfg. Co.* v. *Voi-Shan Industries, Inc.* 347 F. 2d 1, 3 (9th Cir. 1965), recognized this problem and correctly refused to adjudicate any valid scope for a noninfringed patent in the following language:

> "The question of validity which was at issue related to the patent as read with the broad construction contended for by appellants. We do not rule upon the precise scope of the patent nor upon its validity when less broadly construed *since these issues were not subjected to the test of adversary proceedings.*
>
> * * *
>
> Therefore, we do not by our decision hold the patent invalid. We hold that for the reasons set forth in our earlier opinion it may not be given the broad construction for which appellants have contended, since with such construction it would be invalid. Since it is conceded that as otherwise construed there is no infringement, *the question of validity is not reached.*" (Emphasis added)

The effect on the public at large is essentially similar. District Courts in the Sixth Circuit will feel bound by the decision below, and other District Courts (as in the suit by GPC on this same Alexander patent against Georgia Pacific Corporation, now pending in the United States District Court for the Southern District of Georgia (Civil Action 1127)) will feel impelled to give it great weight. Most assuredly we can expect GPC in the language of Judge Frank (p. 14, *supra*) to use this adjudication as a "highly persuasive precedent". In reality it is a groundless precedent, since it is a totally hypothetical adjudication, but it remains a persuasive one unless this Court sets it aside.

The effect on the remainder of the industry will be one of *in terrorem*. Our expectation that GPC will use this adjudication against the industry is not mere speculation. Following the District Court's decision the Wall Street Journal headlined the event, "General Plywood Finishing Patent Upheld by Court", quoting GPC's president Henry M. Reed as saying, "We have won the battle of having our patent validated" (SA 26). When the Court of Appeals affirmed the lower court, the Wall Street Journal again headlined the event, "Appeals Court Upholds Prefinishing Patent of General Plywood" (SA 30). Subsequent to this report GPC's President Reed was quoted in the Louisville Times of January 23, 1967 as saying that "Ninety-five per cent of the people in the hardwood plywood business are using the Microseal [Alexander patent] process" (SA 31). In other releases to the press and to its stockholders, GPC has clearly proclaimed the validity of the patent, and indicated its intent to hold it over the heads of the industry (SA 26-34).

Publicity of this type leaves no doubt that GPC intends to exploit this adjudication to the limit. It will undoubtedly deter competition in this plywood industry, to the detriment of the progress of the arts in this area, unless set aside by this Court.

II. The Sixth Circuit Court of Appeals Has Misconstrued the Standard of Patentability Set By This Court in the *Graham* Case in Applying It to a Process.

For fifteen years this Court abstained from passing on the standard of patentability. In the last term, this Court reaffirmed in *Graham* (383 U. S. 1) the strict standard of patentability set by this Court in 1850,[28] thus silencing speculation that the standard of patentability had been lowered by the 1952 Patent Act.

But within the same year of this decision, the not too gradual (and perhaps galloping) erosion of this standard has already been started in the Sixth Circuit by the Court of Appeals in this case. Just as this Court found it necessary to grant certiorari in the *Great A. & P. Tea Co.* case[29] to halt the wearing down of the standard of patentability, this Court has all the more reason to grant certiorari here to prevent virtual nullification in the Sixth Circuit of the effect of the *Graham* decision on this standard.

The Court of Appeals found that the Timesaver machine used by Alexander "was built[30] and patented by others", the "cork belt applied was patented by 3M" and that cork belts were "previously used for polishing wood" (SA 17). The patent itself admits that "wood burnishing operations which involve frictionally heating wood with cloth" were known in the prior art (3060a, Col. 8, lines 14-16).[31] De-

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[28] *Hotchkiss* v. *Greenwood*, 11 How. 248 (1850)

[29] *Great A. & P. Tea Co.* v. *Supermarket Equip. Corp.*, 340 U. S. 147 (1950)

[30] The Court noted that a special "soft contact roll" (SA 10) was added to the machine, but the patent admits that such selection could be made "in a manner known in the art." (3057a, Col. 2, lines 59-63). The Court's reliance on this as one of the novel features of the Alexander patent (SA 17) is thus contradicted by the patent itself.

[31] The patent also states that belts made of "canvas, or other cloth" are suitable alternatives and equivalent to the cork belt (3058a, Col. 3, line 16). Thus the reliance of the Court on use of a cork belt in rubbing wood in the white (admittedly equivalent to prior-art cloth belts) as another novel feature (SA 17) is also contradicted by the patent.

spite this the Court of Appeals held the patent valid over (but without discussing) the prior art. In this, the Court below essentially disregarded the test of obviousness, by relying principally upon the "secondary considerations"[32] of a supposed long existence of the problem and failures of others.[33]

In fact, the gist of the supposed invention is the correlation of speeds and pressures in a prior-art machine using a prior-art belt to produce desired smoothness and glossiness, and this very correlation is taught by the prior-art Judd patent, which teaches obtaining the same results (of glossification) by rubbing wood panels with the same belt (a cork belt) in the same type of machine.

Regarding the Judd patent the Court of Appeals held that the Patent Office Board of Patent Appeals granted the Alexander patent "after finding it not anticipated by prior-art (apparently including the Judd patent)" (SA 11). This is flatly wrong. The Board of Appeals acted only in Alexander's first (abandoned parent) application and did not act in the second (continuation) application which matured into the patent in suit. The Board of Appeals' decision was dated September 30, 1957 (3015-20a), two and a half months before the Judd patent was cited in the continuation application during the Patent Office interviews of December 16 and 17, 1957 (3051a). The Judd patent was never cited in the first application. No Board or Court has passed on whether the slight changes made to patent claim 11 (considered as a representative claim below) during the interviews, and to which the patent "subject matter as a whole reduces",[34] were obvious in view of the Judd patent.

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[32] *Graham, supra,* 383 U. S. at 17

[33] In fact, the economic compulsion for simplification of wood finishing had existed only since the advent of substantial Japanese competition in 1954 (SA 9, 62-32, 1238a), and there is no evidence of any earlier need to or any earlier strenuous efforts by others to smooth wood to a greater extent before the finishing operations.

[34] *Graham, supra,* 383 U. S. at 34

The District Court incorrectly held (46a) that the Patent Office failed "to mention the Judd patent at any time as a reference in its consideration of the Alexander application."[35] The Court below incorrectly assumed that the Board of Appeals had passed on it (SA 11). In fact, no one (except perhaps the Examiner in the company of GPC's attorney) could have considered this matter, and it is all too apparent that the Examiner failed to give it adequate consideration at that time (3053a).

This surely does not satisfy this Court's direction in *Graham* that the inquiry into patentability by the courts and the Patent Office "must be beamed with greater intensity on the requirements of Section 103."[36]

Assuming, however, for purposes of this petition that Judd does not disclose the exact correlation of belt pressure and speeds which are disclosed in Alexander,[37] this correlation does not amount to a patentable invention. The mere correlation of adjustable variables for improving results is a matter for obvious experimentation.[38] The operating instructions issued with each prior-art Timesaver machine

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[35] The District Court also incorrectly found a distinction based on pressure difference between Judd and Alexander (46a). This was not passed on by the Court of Appeals and is answered in footnote 10 herein above.

[36] 383 U. S. at 19

[37] In fact, Judd did disclose the very same pressure and speed correlation as is evident on the face of the Judd patent. Judd discloses a belt speed of 4000 feet per minute (3068a, Col. 2, line 57); Alexander discloses 4000 feet per minute (3060a, Col. 7, line 27). Judd discloses a panel feed speed of "approximately" 60 feet per minute (3068a, Col. 2, line 60); Alexander discloses 90 feet per minute (3060a, Col. 7, line 27). The identity of pressures is shown above in footnote 10.

[38] See *Kwik Set Inc.* v. *Welch Grape Juice Co.*, 86 F. 2d 945, 947 (2nd Cir. 1936).

told the operator to adjust belt speeds, pressures and feed speeds until the desired results were obtained.[39]

Indeed, this is all that was done, when this process was first performed. Alexander in an affidavit in his corresponding Canadian patent application attested that the first time his patented process was performed was on or about May 18, 1955, when he "caused a . . . door skin panel to be glossified by . . . Judd on a 24" Timesaver machine located in Louisville Plant 12 of the Reynolds Metals Company" (3757a). Reynolds had a Timesaver machine and had been using it with a cork belt for polishing aluminum panels (83a). Judd testified that he merely adjusted the machine for the width of the wood panel, and that it was then, "Just a matter of feeding the panel into the machine . . ." (84a). Thus, the identical machine, with the identical cork belt, was merely changed by minor obvious adjustments from polishing aluminum to polishing wood. And GPC now has a patent monopoly on that wood polishing process. This Court should not countenance such an egregious abuse of the patent system.

The fact that the Judd patent has been dedicated to the public is also most important. The public is fully entitled

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[39] These instructions included the following pertinent directions (2684a):

> If too much stock is being removed or if the pulp between grain is being removed, causing an uneven surface, move the feed rolls away from the machine to set up a counter weight for the feed roll. This will reduce the pressure on the feed roll. . . . It will be necessary to run a few pieces to ascertain the best position of the counter weights for your particular job. In running wide stock it is sometimes advisable to remove the counter weights as all the pressure available is needed. . . . This gives three adjustments to getting just the finish you want and also for cleaning up stock even though rough. First is the adjustment of the feed roll, next the grit of the abrasive and finally the adjustment of the counter weights. . . . At the right side of machine is your infinitely variable speed selector. . . . A little experimenting will provide the best speed for your set up. Ordinarily we suggest slower feed for rough work where considerable stock has to be removed and faster speed for polishing.

to use it. If GPC had wanted to exclude the public from using Judd's process, GPC should have engaged in an interference with Judd to contest priority of invention in the Patent Office. Having failed to lay claim to the Judd process, GPC cannot now do indirectly what it has failed to do directly. GPC cannot prevent the public from a fair use of the Judd process, or from following the machine manufacturer's suggestions in adjusting the variable parameters of that process to attain the desired results.

If the Court of Appeals holding, that such obvious experimentation over Judd constitutes patentable invention, is left standing, this Court's *Graham* decision is rendered nugatory in the Sixth Circuit. While paying lip service to *Graham* (SA 19), the Court of Appeals went on to apply the same watered-down patentability standard which prompted this Court to act in *Graham* in the first instance. The Court of Appeals' disregard for the clear purpose of *Graham* should prompt this Court to grant certiorari here to make sure that *Graham* is not similarly avoided by the present and other district courts and courts of appeals.

III. This Court Should Reassert the Rule Against Functional Claiming Announced in *Halliburton* and Thereby Resolve the Conflict Between the Various Courts of Appeals as to Whether Section 112 of the Patent Act of 1952 Overrides the *Halliburton* Rule.

This Court has not dealt with the statutory requirements of "distinctly claiming" the subject matter of a patent,[40] since deciding *Halliburton*[41] in 1946. Claims are "just as important if not more important than the description and

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[40] 35 U.S.C. 112 (1952).

[41] *Halliburton Oil Well Cementing Co.* v. *Walker*, 329 U. S. 1 (1946).

drawings" of the patent.[42] This Court considered the question of proper claiming sufficiently important to grant certiorari in *Halliburton* on this question alone, apart from any consideration of patentability.[43] While this Court has now clarified in *Graham* the law under Chapter 10 (Patentability of Invention) of the Patent Act of 1952, it has not spoken on the requirements for distinctly claiming under Chapter 11 of that Act.

It is readily apparent that clarification is required. Some jurisdictions hold that Section 112 of the Patent Act of 1952 overruled the *Halliburton* decision with regard to distinctly claiming.[44] Other jurisdictions disagree and adhere to what we submit is the correct rule, namely the rule

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[42] Ellis, *Patent Claims*, Baker, Voorhis & Co., Inc., New York (1949), p. 3.

[43] *Halliburton*, 329 U. S. at 3.

[44] In *Application of Fisher*, 314 F. 2d 817, 819 (CCPA 1963), Judge Rich in a dissent said, "Congress thereafter effectively overruled that [*Halliburton*] case by enacting the third paragraph of section 112 . . .", citing *Application of Lundberg*, 244 F. 2d 543, 547 (CCPA 1959) where the Court held that this paragraph "was designed, at least in part, to modify or overrule" *Halliburton*. In *Bryan* v. *Sid W. Richardson, Inc.*, 254 F. 2d 191, 194 (5th Cir., 1958) cert. denied, 358 U. S. 815, the Fifth Circuit Court of Appeals held, "If Halliburton . . . caused either a real or psychosomatic infirmity in the body of the prior law, it is plain that Section 112 was meant as a sufficient transfusion to restore vitality to the principles before and since pronounced." See also *Aluminum Company of America* v. *Sperry Products, Inc.*, 285 F. 2d 911, 915-6 (6th Cir. 1960), cert. denied, 368 U. S. 890; *Binks Mfg. Co.* v. *Ransburg Electro-Coating Corp.*, 281 F. 2d 252, 256-7 (7th Cir. 1960), cert. dismissed, 366 U. S. 211; *Stearns* v. *Tinker & Rasor*, 252 F. 2d 589, 597-8 (9th Cir. 1957), cert. denied, 350 U. S. 830.

of *Halliburton*.[45] The subject has been discussed in many law reviews.[46]

The Court of Appeals and District Court here appear to have tacitly followed the school which believes that *Halliburton* has lost all of its vitality,[47] as will be shown below. Consequently this petition presents this Court with a most effective means to reassert the rule of *Halliburton* and thereby reinstate the same high standard of distinctness in claiming, along with the high standard of patentability recently announced by this Court in *Graham*.

The patentee must "inform the public during the life of the patent of the limits of the monopoly asserted, so that it may be known which features may be safely used

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[45] *S. D. Warren Co.* v. *Nashua Gummed and Coated Paper Co.*, 205 F. 2d 602, 605 (1st Cir. 1953); *Wagner Iron Works* v. *Koehring Co.*, 282 F. 2d 317, 321 (10th Cir. 1960); *Purdue Research Foundation* v. *Watson*, 214 F. 2d 221, 222 (DC Cir. 1954).

[46] Note Judge Rich's discussion of the commentaries on this point in *Fisher, supra*, at 314 F. 2d 819-820. Note also the following articles which were not discussed by Judge Rich: Woodward, *Definiteness and Particularity in Patent Claims—A Postscript*, 35 Journal of the Patent Society (hereinbelow JPOS) (1953); Wachsner, *Functional Claims*, 37 JPOS 753 (1955); Barnes, *Functionality in Claims at the Point of Novelty*, 37 JPOS 905 (1955); Boyajian, *Another Aspect of Functional Claims*, 38 JPOS 366 (1956); Blaustein, *Functional Claims under the Patent Act of 1952*, 26 George Washington Law Review 613 (1958), and Smith, *Functional Claims and the 1952 Patent Act*, 48 JPOS 426 (1966).

[47] Perhaps prompted by GPC's argument that *Halliburton* had been overruled by the 1952 Act (SA 35). GPC also urged that since the Alexander patent is a process patent, it is not subject to the infirmity of functionality. The lower court may have been convinced by this, despite its own precedents to the contrary. *Campbell* v. *Mueller*, 159 F. 2d 803, 811 (6th Cir. 1947); *Swan Carburetor Co.* v. *Chrysler Corp.*, 130 F. 2d 391, 395 (6th Cir. 1942). It seems too obvious to require citation that the "distinctly claiming" requirement of 35 USC 112 could not be evaded simply by claiming in the form of process claims, rather than apparatus claims.

or manufactured without a license and which may not."[48] For this reason a patentee cannot use "conveniently functional language at the exact point of novelty,"[49] since otherwise the public would be deprived of employing noninfringing means for accomplishing the same function. As summarized in *Halliburton*,[50] patent claims are invalid if they describe the "most crucial element in the 'new' combination in terms of what it will do rather than in terms of its own physical characteristics."

In the present case, all of the claims call for the use of a "relatively nonabrasive" or "unabrasive" rubbing means. How abrasive is a "relatively nonabrasive" or "unabrasive" rubbing means? GPC urged below that an abrasive belt becomes "relatively nonabrasive" or "unabrasive" with use. That is, GPC urged that an operator can start out with an admittedly noninfringing sanding operation, and that this operation starts to infringe as the belt with use becomes less abrasive. As GPC's own expert Mr. Fishleigh admitted, there is no dividing line between noninfringing sanding and the asserted infringing microsealing; instead, there is what he called a "no man's land" (1796a) or a "stage" which "would be neither fish nor fowl" (1713a). The District Court recognized this indefiniteness in finding that "none of the witnesses for GPC were ever able to give the court a satisfactory formula by which it could be told when an 8/0, 9/0 or 10/0 belt ceased to be abrasive and became an infringer of the process in the Alexander patent" (47a).

The same is true of the "distinguishing element" (p. 9 above) added to this claim to avoid the Judd patent. This distinguishing element in patent claim 11 is defined

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[48] *Permutit Co.* v. *Graver Corp.*, 284 U. S. 52, 60 (1931).

[49] *General Electric Co.* v. *Wabash Corp.*, 304 U. S. 364, 373 (1937).

[50] 329 U. S. at 9 (1946).

as "correlatively controlling the buffing speed, pressure and time" of the operation to accomplish the desired results. Claims 1 and 2 call for the "rubbing speed and the pressure and the time of contact . . . being correlated", Claim 3 recites "being correlatively controlled", and Claims 4-18 require "correlatively controlling", and that these parameters be "controlled to cause" a desired result (3061-2a). This is precisely what was prohibited by *Halliburton* in that each of these claims is written "in terms of what it will do[50a] rather than in terms of its own physical characteristics".[51]

This vice in the claims appears at the very point of whatever novelty exists. The Court of Appeals mentioned three features of the Alexander process, which it termed "novel"; while conceding that the prior art "taught something" about each, it stated that the prior art did not teach "the application of all of these features in the combination indicated at the point in the plywood manufacturing process taught by Alexander's patent" (SA 18). Two of those three features (the cork nature of the belt and the resilient roll of the machine[52]) are not present in the invention claimed (see claim 11, quoted by the Court of Appeals at SA 11). This leaves only the correlation of speeds and pressures to produce the desired result of glossifying (i.e., pressure smoothing and densifying) as a possible contribution of Alexander in the claimed invention.

Despite this obvious vagueness and functionality in these claims, and despite USP's urging this as being fatally defective to these claims, neither the District Court nor

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[50a] That is, in terms of producing densification or glossification.

[51] 329 U. S. at 9.

[52] The cork belt feature was expressly found to be old in wood polishing (SA 17). The resilient roll had also been previously used for belt rubbing of aluminum panels (p. 23 above) and the patent admits that this roll is constructed "in a manner known in the art" (3057a, Col. 2, lines 60-63). See also footnotes 30, 31 and 37, *supra*.

the Court of Appeals said one word about indefiniteness or functionality in their opinions. This utter disregard of *Halliburton* by both lower courts is the best evidence of how lame the *Halliburton* rule has become under the 1952 Act.[53] This Court should not allow claims to stand adjudicated as valid which are so vaguely worded as to defy precise construction by the patentee, the courts and competitors of the patentee, and which thereby leave the public uncertain as to the reach of the patent monopoly.

Indeed, if the statute were held to permit such vague and functional claiming at the precise point of novelty, the statute would be unconstitutional since it would give a patentee a monopoly for discoveries which the patentee did not make.[54] The Constitution limits the grant of patents to "inventors" for the "exclusive right to *their* respective writings and discoveries" (Emphasis added). Merely to recognize a desired function is not a discovery of all possible means and ways for performing that function. If in addition to recognizing the desired function, a person also discovers a new means or method for performing that function, then that person is entitled to a patent on that particular means or method. He is not, however, entitled to a monopoly on all means and methods for performing that function, since this would obviously frustrate the basic

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[53] It is Judge Rich's view that "it cannot be stated as sound proposition of law that functional language cannot properly be used at . . . the exact point of novelty. *Application of Fisher*, 314 F. 2d 817, 820 (CCPA 1963).

[54] If functional claims are allowed which will inevitably be very broad, "some future inventor, in the onward march of science, may discover a mode . . . of accomplishing the same task, without using any part of the process or combination set forth . . ." in the patent. The new invention ". . . may be less complicated—less liable to get out of order—less expensive in construction, and in its operation. But yet, if it is covered by this patent, the inventor could not use it, nor the public have the benefit of it, without the permission of the patentee." *O'Reilly* v. *Morse*, 15 How. 62, 112-3 (1853).

purpose of the constitutional grant, "to promote the progress of science and useful arts." This is what happens when purely functional claims are upheld and enforced. Extension of the patent monopoly to all such means and methods would stifle further experimentation and thus ultimately obstruct the progress of the arts.[55]

As in the *General Electric* case[56] there is no need on this question to "inquire whether (the patentee) exhibited invention, or whether his product was anticipated. The claim is invalid on its face. It fails to make a disclosure sufficiently definite to satisfy the requirements" of the Patent Act. The same was true in *Halliburton*, where this Court did not dispute the lower court's findings that the patent *disclosed* patentable invention.[57] Patentability alone is not sufficient. The claims of the patent must properly tell the public what are the limits of the scope of the patent, or else those claims are invalid.

The present case holds that the Alexander patent claims are valid, and thereby is either in direct disregard of this Court's pronouncement in *Halliburton*, or implicitly construes 35 USC 112 as abrogating *Halliburton*. In this, the Court below is in direct conflict with the First, Tenth and District of Columbia Courts of Appeals, which have expressly held that 35 USC 112 does *not* affect the ruling in *Halliburton* (f.n. 45, *supra*). Hence the writ should issue here, to resolve this conflict among circuits, and to determine whether the statutory requirement of distinctness and

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[55] "In this age of technological development there may be many other devices [and processes] beyond our present information or indeed our imagination which will perform that function and yet fit these claims. And unless frightened from the course of experimentation by broad functional claims like these, inventive genius may evolve many more devices to accomplish the same purpose." *Halliburton*, 329 U. S. at 12.

[56] 304 U. S. at 368.

[57] 329 U. S. at 7-8.

certainty in claims (stated to be "important in patent law", in *Halliburton*, 326 U. S. at 3) was correctly applied in this case.[58]

Conclusion

It is therefore submitted that certiorari should be granted on each of the foregoing questions (or such of them as shall appear most important to this Court), to resolve differences among the circuits and for the proper guidance of the Courts of Appeals on principles of patent law of vital importance to the public.

May 8, 1967.

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JAMES M. HEILMAN,
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[58] This is the same ground on which certiorari was granted in *Halliburton* (326 U. S. at 3).

APPENDIX A

Constitutional Provisions and Statutes

CONSTITUTION

ARTICLE I, SECTION 8, CLAUSE 8. PATENTS AND COPYRIGHTS

To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries;

ARTICLE III, SECTION 2. JURISDICTION OF COURTS

Section 2. The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their authority;—to all Cases affecting Ambassadors, other public Ministers and Consuls;—to all Cases of admiralty and maritime Jurisdiction;—to Controversies to which the United States shall be a Party;—to Controversies between two or more States;—between a State and Citizens of another State;—between Citizens of different States;—between Citizens of the same State claiming Lands under Grants of different States, and between a State, or the Citizens thereof, and foreign States, Citizens or Subjects.

UNITED STATES CODE

TITLE 28, JUDICIAL CODE

§ 2201. CREATION OF REMEDY

In a case of actual controversy within its jurisdiction, except with respect to Federal taxes, any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any

interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

TITLE 35, PATENTS

§ 101. Inventions Patentable

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

§ 102. Conditions for Patentability; Novelty and Loss of Right to Patent

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

(c) he has abandoned the invention, or

(d) the invention was first patented or caused to be patented by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application filed more than twelve months before the filing of the application in the United States, or

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or

(f) he did not himself invent the subject matter sought to be patented, or

(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.

§ 103. CONDITIONS FOR PATENTABILITY; NON-OBVIOUS SUBJECT MATTER

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

§ 112. SPECIFICATION

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

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The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention. A claim may be written in independent or dependent form, and if in dependent form, it shall be construed to include all the limitations of the claim incorporated by reference into the dependent claim.

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

§ 135. INTERFERENCES

(a) Whenever an application is made for a patent which, in the opinion of the Commissioner, would interfere with any pending application, or with any unexpired patent, he shall give notice thereof to the applicants, or applicant and patentee, as the case may be. The question of priority of invention shall be determined by a board of patent interferences (consisting of three examiners of interferences) whose decision, if adverse to the claim of an applicant, shall constitute the final refusal by the Patent Office of the claims involved, and the Commissioner may issue a patent to the applicant who is adjudged the prior inventor. A final judgment adverse to a patentee from which no appeal or other review has been or can be taken or had shall constitute cancellation of the claims involved from the patent, and notice thereof shall be endorsed on copies of the patent thereafter distributed by the Patent Office.

(b) A claim which is the same as, or for the same or substantially the same subject matter as, a claim of an issued patent may not be made in any application unless such a

claim is made prior to one year from the date on which the patent was granted.

(c) Any agreement or understanding between parties to an interference, including any collateral agreements referred to therein, made in connection with or in contemplation of the termination of the interference shall be in writing and a true copy thereof filed in the Patent Office before the termination of the interference as between the said parties to the agreement or understanding. If any party filing the same so requests, the copy shall be kept separate from the file of the interference, and made available only to Government agencies on written request, or to any person on a showing of good cause. Failure to file the copy of such agreement or understanding shall render permanently unenforceable such agreement or understanding and any patent of such parties involved in the interference or any patent subsequently issued on any application of such parties so involved. The Commissioner may, however, on a showing of good cause for failure to file within the time prescribed, permit the filing of the agreement or understanding during the six-month period subsequent to the termination of the interference as between the parties to the agreement or understanding.

The Commissioner shall give notice to the parties or their attorneys of record, a reasonable time prior to said termination, of the filing requirement of this section. If the Commissioner gives such notice at a later time, irrespective of the right to file such agreement or understanding within the six-month period on a showing of good cause, the parties may file such agreement or understanding within sixty days of the receipt of such notice.

Any discretionary action of the Commissioner under this subsection shall be reviewable under section 10 of the Administrative Procedure Act.

Appendix A

CODE OF FEDERAL REGULATIONS

TITLE 37, PART I, § 1.203 PREPARATION FOR INTERFERENCE BETWEEN APPLICATIONS; SUGGESTION OF CLAIMS FOR INTERFERENCE

(a) Before the declaration of interference it must be determined by the examiner that there is common subject matter in the cases of the respective parties, patentable to each of the respective parties, subject to the determination of the question of priority. Claims in the same language, to form the counts of the interference, must be present or be presented, in each application; except that, in cases where, owing to the nature of the disclosures in the respective applications, it is not possible for all applications to properly include a claim in identical phraseology to define the common invention, an interference may be declared, with the approval of the Commissioner, using as a count representing the interfering subject matter a claim differing from the corresponding claims of one or more of the interfering applications by an immaterial limitation or variation.

(b) When the claims of two or more applications differ in phraseology, but relate to substantially the same patentable subject matter, the examiner shall, if it has been determined that an interference should be declared, suggest to the parties such claims as are necessary to cover the common invention in the same language. The parties to whom the claims are suggested will be required to make those claims (i. e., present the suggested claims in their applications by amendment) within a specified time, not less than 30 days, in order that an interference may be declared. The failure or refusal of any applicant to make any claim suggested within the time specified, shall be taken without further action as a disclaimer of the invention covered by that claim unless the time be extended.

(c) The suggestion of claims for purpose of interference will not stay the period for response to an office action which may be running against an application, unless the claims are made by the applicant within the time specified for making the claims.

(d) When an applicant presents a claim in his application (not suggested by the examiner as specified in this section) which is copied from some other application, either for purpose of interference or otherwise, he must so state, at the time he presents the claim and identify the other application.

APPENDIX B

Opinion of Court of Appeals

Nos. 16194-95

UNITED STATES COURT OF APPEALS

FOR THE SIXTH CIRCUIT

UNITED STATES PLYWOOD CORPORATION,
Plaintiff-Appellee,

v.

GENERAL PLYWOOD CORPORATION,
Defendant-Appellant.

UNITED STATES PLYWOOD CORPORATION,
Plaintiff-Cross-Appellant,

v.

GENERAL PLYWOOD CORPORATION,
Defendant-Cross-Appellee.

APPEALS from the United States District Court for the Western District of Kentucky.

Decided December 28, 1966.

Before: PHILLIPS, EDWARDS and CELEBREZZE, Circuit Judges.

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EDWARDS, Circuit Judge. These appeals represent the culmination of a bitter controversy between a giant member of the plywood industry and a somewhat smaller competitor.

United States Plywood is the biggest of American plywood manufacturers. General Plywood is a substantial manufacturer of plywood doors based in Louisville, Kentucky. At the relevant times in this record the whole industry was adversely affected by the entrance into the United States market of Japanese plywood imports. And at the time also more and more plywood panels were being sold in factory finished form for interior use in housing and office building.

The industry prepared such panels for factory finishing (or for sale to the construction industry unfinished) by running the panels through a series of machine sanders (usually three). The first such machine employed a rough sandpaper of 1/0 grit; the next two were progressively finer. It appears that the finest in general use by the industry at this stage, prior to the event we deal with, was 4/0 grit.

This sanding produced plywood panels ready for finishing and terms in the industry "wood in the white." The surface while relatively smooth was porous, somewhat fibrous, absorptive and without gloss or sheen.

Subsequently, to change all these surface characteristics, finishing required filler, stain, lacquer and polishing. Each of these processes when done at the factory required one or more machine passes with consequent production costs.

In 1954, George E. Alexander, Production Manager of General Plywood, conceived the idea of "buffing," "polishing," or "burnishing" the "wood in the white" panel at this stage before the finishing process. He first tried a cloth buffing wheel which produced some of the effect he was seeking, but with irregularities, including scorch marks, which made the result unsatisfactory. Pursuing the effort,

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Alexander experimented with a patented "Timesaver" machine, which was capable of production processing of plywood sheets. This machine had adjustable feed and roll speeds and roll pressures. Ultimately Alexander ordered a specially constructed Timesaver with a 38-inch roll. The only individual feature added to this machine (other than width) was a special "soft contact roll."

Alexander discussed his proposed process with one Oliver S. Judd, of Minnesota Mining & Manufacturing Company (a leading abrasive manufacturer) and inquired as to what was "used to polish hammer handles." Judd answered, "cork belts," and Alexander thereupon ordered a specially fabricated 38-inch wide cork belt for the Timesaver machine. Both the Timesaver machine and the 3M cork belt were the subject of pre-existing patents. But it does not appear that the two had previously been employed in combination to "buff," "polish," or "burnish" wood in the white plywood panels. When feed speed and roll speed and pressure were adjusted so that panels were fed through the machine at approximately 90 feet per minute, with a one inch (or less) band of contact where surface heat of upward of 400 degrees was generated, the effect which Alexander was looking for was produced. The surface was smoother, glossier, less absorptive, and (as Alexander termed it) "densified." Alexander called the new process "microsealing."

In these stages Alexander worked closely with Judd of 3M and with Pendergast of Timesavers. When Alexander 3M and with Pendergast of Timesaver. When Alexander became convinced that he had a commercially valuable process (he terms it "revolutionary"), he (and General Plywood) set out to patent it. At that point General Plywood discovered that Judd, on behalf of 3M, had already applied for a patent without notice to Alexander or General Plywood.

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Judd's patent application was dated March 27, 1956, and on October 9, 1956, the patent was granted to him. Alexander's patent application was dated October 10, 1956, and the examiner denied the patent.

Subsequently, the Board of Patent Appeals reversed the examiner and granted the Alexander patent, after finding it not anticipated by prior-art (apparently including the Judd patent). Litigation between General Plywood, assignee of Alexander's patent, and 3M, assignee of the Judd patent, resulted in dedication to the public of the Judd patent and an agreement by 3M not to contest validity of the Alexander patent.

The Alexander patent is best described briefly, we think, by quoting Claim 11:

> "The method of providing a substantially flat wood surface with a glossy and relatively non-porous finish comprising; non-abrasively buffing the surface with a buffing medium having a flexible yielding relatively non-abrasive frictional heat insulating rubbing surface moving at a predetermined buffing speed, compressing the buffing medium between a backing member and said wood surface to press the buffing medium into firm and intimate contact with said surface; and correlatively controlling the buffing speed, pressure and time to compress, pressure smooth and densify the surface wood without scorching."

For further consideration, particularly of the problems of validity and infringement, other paragraphs elaborating the process described in the Alexander patent application are relevant:

> "The principal object of this invention is to provide a novel wood surface treating process which can be simply and inexpensively carried out and which results in the substantial improvement of that surface in one

or more respects such as increased hardness, smoothness and reflectivity and reduced porosity and absorbency.

"Another important object is to provide a wood glossifying process which can be performed at high speed on a straight through production line conveyor.

"Another important object of this invention is to provide a novel and inexpensive frictional method for changing the structure of the wood along the surface without changing the underlying structure and, through such change, to effect a substantial increase in surface smoothness and a substantial decrease in its ability to absorb finishing or other materials.

"Another object of this invention is to provide a new and novel process for producing a wood product having its surface wood structure of relatively greater density and finer texture than the density and texture of the underlying natural wood structure."

• • •

"It should be noted that I preferably employ a surface treating belt of the type having a cork surface, e.g., as exemplified by the belts presently made under U. S. Patent No. 2,542,058, except that the very mild abrasive sometimes employed in such cork belts is unnecessary and may be omitted. Any other flexible, yielding, relatively nonabrasive frictional rubbing medium or frictional belt material, such as canvas, or other cloth made of natural or synthetic fibers, may be employed so long as it is capable of frictionally developing the requisite temperature when the requisite operating conditions are employed, and of withstanding both the operating temperatures and pressures. It will be observed that these belts provide a flexible,

frictional, relatively nonabrasive buffing or rubbing and somewhat yielding surface composed of nonmetallic material. Since this material, in comparison with metal, is a relatively poor conductor of heat or a good heat insulator, it may be aptly described as a heat insulating material."

• • •

"The process, however, is essentially a nonabrasive process, as is clear from the fact that even a very light pencil mark made on a piece of wood before treatment is not removed therefrom during the surface treatment."

• • •

"[S]uperior results are achieved by the apparatus illustrated in the drawing wherein the surface of the wood is heated directly by friction and it is a simple matter to obtain relatively uniform pressure between the friction member and all portions of the wood surface and hence uniform heating and densification even though the wood surface is not perfectly flat. In that connection, the use of a rubber or other yielding sleeve on drum 10 helps to distribute the pressure uniformly over the surface even though the surface is not perfectly flat and the sheet of wood is relatively rigid. . . ."

"It is extremely difficult to determine the precise temperatures and pressures which obtain in the practice of this invention with the apparatus of the drawing. I am well satisfied that the minimum temperatures employed should fall within the softening-melting range (400° F. to 525° F.) of the heat plasticizable content of the wood. I am equally well satisfied that the momentary operating temperatures employed may and preferably do greatly exceed that range so long as the

contact time is reduced sufficiently to prevent charring of the surface wood in all instances and scorching in those instances where it is objectionable.

• • •

"Since the desired results are achieved when the temperatures developed are high and only surface wood is heated it is desirable to complete the treatment with the apparatus of the drawing within a time period of no more than 1/8 of a second, and preferably within a period not exceeding 1/18 of a second. The period of treatment is determined by the width of the wood surface contacted under pressure by the friction member and the rate of feed of the work. With a 16-inch rubber covered drum it is estimated that the width of the band of contact is no more than 3/4" when the pressure applied by feed roller 21 is 7½ pounds per lineal inch of roller length.

"The temperature developed during the treatment for any given rate of work feed and width of pressure contact depends on the pressure and the belt speed, increasing as either or both of these factors increase and vice versa. The best results are achieved when the temperature developed closely approaches the scorching temperature for the treatment time employed. . . ."

• • •

tial requirements of the invention as practiced by a friction member are that the desired degree of permanent compression be obtained in a short time and that the pressure, the speed of the friction member and the rate of work feed may be varied widely, if properly correlated to meet those requirements. However, as a guide in determining any desired proper combination of pressures, speeds and feeds in ac-

cordance with the above principles, it may be stated that excellent results on birch plywood have been obtained with the apparatus of the drawing under the following conditions:

"Diameter of drum 10	16"
Work feed	90 ft. per minute.
Belt speed	4000 ft. per minute.
Force exerted by roller 15 ..	7½# per lineal inch.

"Under the above conditions the contact time is 1/18 of a second or less for a contact band of one inch or less and the temperature closely approaches the scorching temperature which is believed to be in the neighborhood of 620° F. for that treatment time. This is indicated by the fact that under the conditions stated a very slight indication of scorching is noted at rare intervals. This can be avoided, if desired, and excellent results achieved by increasing the feed rate to 125 feet per minute." United States Patent No. 2,827,935.

Prior to the issuance of Alexander's patent, General Plywood announced its new process and put the products on the market. It also began actively seeking to interest licensees in its process and succeeded in doing so. As a result, through advertising, through stores, in the Wall Street Journal, and through demonstrations of the process to prospective licensees, General Plywood revealed the process in some or all of its relevant aspects to many potential licensees—and/or competitors. Among these was the giant of the industry, U. S. Plywood.

It is clear that from the beginning U. S. Plywood regarded General Plywood's "Microsealing" as new and as competitively important. Its president, S. W. Antoville, ordered U. S. Plywood's Louisville agent to purchase and forward a microsealed door for U. S. Plywood's examina-

tion and tests. He also ordered one of their salesmen to visit General Plywood's Louisville plant and learn what he could about the process.

General Plywood's reaction appears to us to have been an eager welcoming of U. S. Plywood's interest. At the first visit of the U. S. Plywood's salesman, General Plywood's president, Henry M. Reed, told him that he would like to talk to Antoville. Reed wrote Antoville on October 15, 1956 (just after Alexander filed his patent application):

> "Our investigations lead us to believe we will obtain strong patents, otherwise, we would not bother to spend the money to attempt to obtain them.
>
> "To me it is a one way street. We license companies. If we should not obtain a patent, then our licensees are already 'in business' with the process and have all the techniques and 'know how.' They discontinue paying royalties on the process and we are 'out of luck.'"

There is no doubt at all that U. S. Plywood commenced its investigation of the Microseal process with a view toward finding a way to match its results or, as a reluctant alternative, negotiation of a licensing agreement. Unfortunately for General Plywood, U. S. Plywood found a method fairly readily at hand.

Acting on 3M advice, it found that it could employ a fine sanding operation which was already being used in the industry for finish polishing to achieve on wood in the white plywood panels results at least quite similar to those produced by the microsealing. U. S. Plywood thereupon notified General Plywood that it was not interested in taking a microsealing license and proceeded with the fine sanding procedure outlined above, which it named "Micro-Fine."

Subsequently, when its patent had been issued, General Plywood served U. S. Plywood with written notice of infringement. U. S. Plywood responded with a suit attacking the validity of General Plywood's patent and seeking a declaratory judgment of noninfringement and of patent misuse. Thereupon General Plywood, by counterclaim asserted validity of its patent, alleged infringement and breach of trust by U. S. Plywood and claimed damages.

This then brings us to the two major issues of validity and infringement. The District Judge found the patent valid but not infringed.

Alexander's patent was issued upon a process or a method. The machine he employed was built and patented by others. The cork belt he employed was patented by 3M. But in the view of the District Judge (and in ours) there was novelty and utility sufficient to warrant a finding of invention in Alexander's method of applying these two to the treatment of wood in the white. As the District Judge noted, a process or method may be the subject of a patent. Patent Act of 1952, 66 Stat. 197, 35 U.S.C. § 101 (1964 ed.);[1] *Cochrane* v. *Deener*, 94 U. S. 780 (1876).

These novel features of the Alexander process may be noted:

1) The cork belt, though previously used for polishing wood, had never been employed for treating plywood panels in the wood in the white stage.

2) The employment of a resilient roll for a panelwide cork belt on a Timesaver machine achieved a uniformity of treatment not successfully achieved before.

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[1] "§ 101. *Inventions patentable.* Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title." 35 U.S.C. § 101 (1964 ed.).

3) The employment of relatively high speeds and pressures correlated to achieve the impact of heat just below scorching helped to achieve a surface smoothness, density and gloss in one machine operation which made subsequent finishing operations substantially simpler and less expensive.

In *Cochrane* v. *Deener, supra,* the Supreme Court said:

> "A process is a mode of treatment of certain materials to produce a given result. It is an act, or a series of acts performed upon the subject matter to be transformed and reduced to a different state or thing. If new and useful, it is just as patentable as is a piece of machinery. In the language of the patent law, it is an art. The machinery pointed out as suitable to perform the process may or may not be new or patentable; whilst the process itself may be altogether new, and produce an entirely new result. The process requires that certain things should be done with certain substances, and in a certain order; but the tools to be used in doing this may be of secondary consequence." *Cochrane* v. *Deener, supra* at 788.

The Alexander process was both new in the industry and of great commercial value. While prior-art (including the Judd patent) taught something about each of the cited features, no prior-art taught the application of all of these features in the combination indicated at the point in the plywood manufacturing process taught by Alexander's patent.

Nor do we think that Alexander's process was an obvious development to any mechanic skilled in the art. The problems solved had existed for years in the industry and had resisted the efforts of others skilled in the art.

We believe the record supports the District Judge's finding that the Alexander patent is valid. The District Judge

in upholding validity relied strongly upon the statutory presumption of validity accorded to a patent, like Alexander's which was regularly issued by the United States Patent Office. Patent Act of 1952, 35 U.S.C. § 282 (1964 ed.). Without disregarding the force of this presumption, we feel it important to note also that our review indicates to us that Alexander's patent meets the statutory tests of utility, novelty, and non-obviousness (Patent Act of 1952, 35 U.S.C. §§ 101, 102, 103 (1964 ed.); *United States* v. *Adams*, 383 U. S. 39 (1966)). We likewise feel that Alexander's patent meets the Constitutional standard of invention (U. S. Const. art. I, § 8, cl. 8).[2] That standard has been described as including "Innovation, advancement, and things which add to the sum of useful knowledge. . . ." *Graham* v. *John Deere Co.*, 383 U. S. 1, 6 (1966).

While, as we will point out, the District Judge ultimately found noninfringement of this patent, we feel he was correct in passing squarely on its validity. The issues raised by cross-filed pleadings are complex. Validity is squarely attacked by the original plaintiff. And the case has involved a lengthy trial of complex facts, most of them bearing directly upon this issue. We believe ample precedent supports his passing on validity in the decree. *Sinclair Co.* v. *Interchemical Corp.*, 325 U. S. 327 (1945); *Altvater* v. *Freeman*, 319 U. S. 359 (1943); *Sparton Corp.* v. *Evans Products Co.*, 293 F. 2d 699 (C. A. 6, 1961), *cert. denied*, 368 U. S. 967 (1962). This controversy has no resemblance to a fictitious suit designed to achieve an advisory opinion. Cf. *Cover* v. *Schwartz*, 133 F. 2d 541 (C. A. 2, 1943), *cert. denied*, 319 U. S. 748 (1943).

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[2] The federal patent power stems from a Constitutional provision which authorizes Congress "To promote the progress of . . . useful arts, by securing for limited times to . . . inventors the exclusive right to their . . . discoveries." U. S. Const. art. I, § 8, cl. 8.

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The District Judge's finding on the infringement question was: "(3) Said Alexander patent has not been infringed by the plaintiff, United States Plywood Corporation; . . ."

His reasoning follows:

"To the Court, the Alexander patent clearly contemplates the use of buffing belts that are non-abrasive or relatively non-abrasive and of non-metallic material. In fact, Alexander expresses a preference for the use of 'a surface treating belt of the type having a cork surface in his description of the process in his patent. I think this distinction is much more clearly set forth in the Alexander patent than in the Judd patent.

"The Court has determined that all of the evidence from which infringement by USP could be inferred involves its use of 8/0, 9/0 and 10/0 abrasives or sandpaper in treating wood surfaces. There is no proof that USP was using cork or non-metallic abrasives in any of the accused operations; hence, there is no foundation upon which an infringement could be based.

"Counsel for GPC said in his opening statement and repeated several times during the presentation of the case that if USP was sanding in its accused operations then there was no infringement. Since, to the Court, a reading of Alexander's description of his process and the claims of his patent contemplated the use of belts that are orginally designed as unabrasive or relatively non-abrasive, it would be illogical to conclude that his patent could be infringed by a belt designed and manufactured as an abrasive instrument but which became relatively non-abrasive because it was worn by use. This was referred to on several occasions during the progress of the trial and none of the witnesses for GPC were ever able to give the Court a satisfactory

formula by which it could be told when an 8/0, 9/0, or 10/0 belt ceased to be abrasive and became an infringer of the process in the Alexander patent."

We affirm this finding also.

General Plywood described its treating belt as "non-abrasive" or "relatively non-abrasive," "non-metallic," "flexible," and "yielding." None of these descriptive terms are appropriate to describe the 10/0 aluminum oxide grit sandpapers which United States Plywood employed.

We do not ignore General Plywood's argument that U. S. Plywood's results were really achieved by either the crushing of the grit on the "modified" belts, or the use of worn belts, or by the rapid filling of the belts with wood particles so as to terminate any substantial abrasive action. We have, however, noted in the record testimony which certainly constitutes substantial evidence that the 10/0 sanding employed by U. S. Plywood did remove significant amounts of stock. Observers testified to visible dust and the necessity of dust collectors on the "Micro-Fine" process where General Plywood contends such were not necessary in microsealing.

Infringement is generally a question of fact for the trial court. On review this court does not reverse a finding of non-infringement unless we can say it is "clearly erroneous." Rule 52(a) Fed. R. Civ. P.; *Toledo Scale Corp.* v. *Westinghouse Electric Corp.*, 351 F.2d (C.A. 6, 1965); *Maytag* v. *Murray Corp. of America*, 318 F.2d 79, 82 (C.A. 6, 1963).

We do not think that this record allows us to say that the District Judge's finding of noninfringement was "clearly erroneous." The trial judge heard extensive testimony for 40 trial days. Much of the evidence on infringement was conflicting. We think the view he took of the evidence was at least a "permissible" one and hence not clearly erroneous. *United States* v. *Yellow Cab Co.*, 338 342 (1949).

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Over and above what we have already said on the issue of infringement and at least somewhat persuasive to us is the fact that the record appears to demonstrate that what U. S. Plywood did was essentially to move a fine sanding operation which was already being used in the industry for finish polishing to an earlier point in the production process and apply it to wood in the white panels. If Alexander's patent should be broadly enough construed so as to apply to this operation, then it would be hard to ascribe to it the novelty, as opposed to prior-art, which is required for invention.

The District Judge found that General Plywood was not guilty of misuse of its patent. We agree. This record provides no indication that the patent in suit is being employed for leverage to sell either other patents or other unpatented goods and services. *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U. S. 488 (1942); *Rocform Corp.* v. *Acitelli-Standard Concrete Wall, Inc.* —— F.2d —— (C.A. 6, 1966). Decided October 11, 1966.

U. S. Plywood alleges that the product "tied-in" was a resin sold by Reichhold Chemical, Inc. But no microseal licensee was required to purchase this resin; nor was any company refused a license under the Alexander patent because of failure to purchase this resin.

The District Judge also found that U. S. Plywood had not been guilty of breach of trust.

The fundamentals required for such an action, as stated in Restatment of the Law, Torts, § 757, are:

> "§ 757. *Liability for Disclosure or Use of Another's Trade Secret—General Principle.*
>
> "One who discloses or uses another's trade secret without a privilege to do so, is liable to the other if
>
> "(a) he discovered the secret by improper means, or
>
> "(b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him, or

"(c) he learned the secret from a third person with notice of the facts that it was a secret and that the third person discovered it by improper means or that the third persons's disclosure of it was otherwise a breach of his duty to the other, or

"(d) he learned the secret with notice of the facts that it was a secret and that its disclosure was made to him by mistake."

What we have already said on the issue of infringement argues strongly for affirmance on this issue likewise. This record supports the District Judge's view that U. S. Plywood did not employ the process which General Plywood disclosed.

Additionally, we note that this record does not support a finding of breach of a confidential disclosure. This record discloses no effort at maintaining secrecy of the process in General Plywood's plant. Its employees were not even warned against disclosure. It is also apparent to us, as it was to the District Judge, that General Plywood actively sought licensing agreements with many firms in the plywood industry, including U. S. Plywood. In this process it necessarily made a variety of disclosures. In doing so it appears to us, as it did to the District Judge, that it neither made any effort at maintaining secrecy of its process nor at securing an agreement for confidentiality. *Hamilton Mfg. Co.* v. *Tubbs Mfg. Co.*, 216 Fed. 401 (W.D. Mich. 1908).

U. S. Plywood clearly sought to learn all it could about General Plywood's process. But General Plywood's revelations were the eager revelations of a prospective licensor to a prospective licensee. General Plywood asked for no agreement of confidentiality from U. S. Plywood—and received none. Having chosen to rely solely upon its patent rights for protection, and having failed to keep its process secret prior to grant of the patent, General Plywood is not

now in a position to sustain an action for breach of trust. *Huszar* v. *Cincinnati Chemical Works, Inc.*, 172 F. 2d 6 (C. A. 6, 1949).

At best this can only be described as a close and difficult case. The District Judge did not abuse his discretion in requiring each party to pay its own costs.

Affirmed.

Order

Nos. 16, 194-95

UNITED STATES COURT OF APPEALS,

FOR THE SIXTH CIRCUIT.

UNITED STATES PLYWOOD CORPORATION,

Plaintiff-Appellee,

vs.

GENERAL PLYWOOD CORPORATION,

Defendant-Appellant.

UNITED STATES PLYWOOD CORPORATION,

Plaintiff-Cross-Appellant,

vs.

GENERAL PLYWOOD CORPORATION,

Defendant-Cross-Appellee.

Before:

PHILLIPS, EDWARDS and CELEBREZZE, Circuit Judges.

Appendix B

On motion of defendant-appellant, General Plywood Corporation, entitled Petition for Rehearing and for Revision of Opinion, the opinion of the court announced December 28, 1966, is hereby revised by the substitution of the word "also" for the word "already" on page 3 line 18, and by the addition of a footnote referable to the date (October 10, 1956) on page 3 line 22 as follows:

> "1. Alexander had previously filed a 'first application" in relation to much the same process on February 20, 1956. This application ultimately was abandoned."

Otherwise defendant-appellant's petition for rehearing, all issues thereof having been carefully considered previously, is denied.

Feb. 8, 1967.

Entered by order of the Court,

CARL W. REUSS,
Clerk.

APPENDIX C

Wall Street Journal, March 11, 1964.

General Plywood Finishing Patent Upheld by Court

But Firm Loses Its Attempt To Establish U.S. Plywood Infringement of Process

Judge Awards No Damages

By a WALL STREET JOURNAL *Staff Reporter*

LOUISVILLE—General Plywood Corp. won a Federal court decision upholding its patent on a microseal plywood finishing process but lost its attempt to establish that U. S. Plywood Corp. had infringed the process patent.

Judge Roy M. Shelbourne ruled the patent, covering a nonabrasive method of rubbing an unfinished wood surface to produce a semigloss plywood finish, is valid but held that proof was inadequate to establish infringement by U.S. Plywood. No damages were awarded.

The drawn-out litigation over the patent began in January 1960 when U. S. Plywood, responding to threats by General Plywood to sue for infringement, filed suit asking for a declaration of rights on the patent's validity. General Plywood then filed a countercharge asking that the patent be judged valid and U. S. Plywood be declared guilty of patent infringement.

No Decision on Appeal

Henry M. Reed, General Plywood president, said, "We have won the battle of having our patent validated. Whether we appeal to determine the complex matter of infringement depends upon the advice of our attorney. But I feel sure that this will be done."

General Plywood has repeatedly said that the company's "real potential depends on its ability to sustain its microsealing process patent." Contingent on an upholding of the patent, the company had expected to recover damages, up to $12 million according to one unofficial estimate, for unauthorized use of the patent since it was granted March 25, 1958.

"If General Plywood should prevail, the company's whole picture will change radically," a spokesman commented last year. General Plywood has reported net losses in seven of the last eight fiscal years and hasn't paid a dividend since 1948. In the year ended Oct. 31, 1963, it lost $623,535 on sales of $28,533,560.

Yesterday on the American Stock Exchange, General Plywood stock closed at $10.675, off $3.75 on the day. U.S. Plywood shares, traded on the New York Stock Exchange, closed at $77, down 75 cents.

In ruling that proof of infringement by U.S. Plywood was inadequate, Judge Shelbourne said U.S. Plywood actually achieved its finish by sanding with a fine sandpaper, an abrasive material, in contrast to the General Plywood process, which uses cork. The judge said it was impossible to determine at what point sanding with the 8-0, 9-0 or 10-0 sandpapers used by U.S. Plywood changed from abrasive to nonabrasive as the sandpaper became worn and filled with wood particles.

"We Feel Vindicated"

S. W. Antoville, chairman of U.S. Plywood, said the court's decision didn't surprise his company. "We feel vindicated. It was our position that we were not in infringement of any patent. That's what the court ruled."

Under Judge Shelbourne's decision, General Plywood isn't deprived of any benefits that a valid patent gives to its owner. In his finding, the judge stated that "this case presents great difficulties to a judge who like myself has only the most elementary training in science and mathematics and has little experience with modern technological developments."

General Plywood has been granted patents on its process by a number of other countries, including Australia, Canada, Colombia, Finland, France, Great Britain, Israel, Japan, New Zealand and Spain.

General Plywood last year filed a still pending $150 million triple damage suit in New York against Minnesota Mining & Manufacturing Co., U.S. Plywood and Georgia-Pacific Corp. The suit charged the three companies with working together to monopolize manufacture and sale of coated abrasive products. It charged U.S. Plywood and Georgia-Pacific with monopolistic practices in the plywood products field. The suit claimed that Minnesota Mining fraudulently obtained details of the microseal rubbing process, acquired a patent on a similar process using fine sandpaper and improperly passed the process to the other two defendants.

Appendix C

Wall Street Journal, July 16, 1964.

General Plywood Corp., U.S. Plywood to Appeal Ruling in Patent Battle

Special to THE WALL STREET JOURNAL.

LOUISVILLE — U.S. Plywood Corp. and General Plywood Corp. filed notice in Federal court here that they will each appeal the decision in their patent dispute. The appeal will be made to the Sixth Circuit Court of Appeals, Cincinnati.

Judge Roy M. Shelbourne ruled last March that General Plywood's patent received March 25, 1958, on its microseal wood finishing process was valid, but that General Plywood failed to establish that U.S. Plywood had infringed the patent. U.S. Plywood is attacking the portion that declared that General Plywood has a valid patent. General Plywood is appealing the infringement section.

The drawn-out litigation began in January 1960 when U.S. Plywood filed suit asking for a declaration of rights on the patent's validity, after General Plywood had threatened to sue for infringement.

General Plywood filed a counter charge asking that the patent be judged valid and that U.S. Plywood be declared guilty of patent infringement. Judge Shelbourne heard the case without a jury during a forty-day trial.

Appendix C

General Plywood Corporation Quarterly Report,
July 31, 1964.

General Plywood Corporation and Subsidiaries

OPERATING DATA:

	Third Quarter (May, June, July, 1964)	Nine Months Ended July 31 1964	1963
Net Sales	$3,671,313	$15,017,807	$21,356,602
Net Profit or (Loss)	24,065	(92,474)	(485,872)

The profit of $24,065 for the Third Quarter was despite an operating loss of $157,904 by the Kochton Division.

The Kochton Division has been sold with the exception of one warehouse which is now being liquidated.

During June we had a costly nine day strike at our main plant which has been settled equitably and a two year contract is now in effect.

The disposal of the Kochton warehouses and continuous profitable operations by the plants made it possible for the company to recently obtain additional financing that provides the time to seek long term financing under more favorable terms and conditions than previously offered.

On March 10, 1964, Judge Roy M. Shelbourne of the U. S. District Court for the Western District of Kentucky filed a memorandum opinion and, on June 15, 1964, the Court rendered its official decision wherein it ruled General Plywood's Microseal patent was valid in all respects; but also ruled that in this particular case the proof was inadequate to establish infringement by U. S. Plywood Corporation.

It is the opinion of the company's attorneys that the Court's decision on the question of U. S. Plywood's infringement rests upon erroneous conclusions of both law and facts; and in view of this, on July 13, 1964, the company filed an appeal to this portion of the Court's decision.

Humphrey Reed Jr.
President

September 3, 1964

Appendix C

General Plywood Corporation Quarterly Report,
Jan. 31, 1966.

General Plywood Corporation and Subsidiaries

OPERATING DATA:

	First Quarter Ended January 31	
	1966	1965
Net Sales	$3,355,952	$2,608,770
Net Profit	162,246	71,105

Profits are after state and foreign taxes; however, since the Company has a loss carry-forward, there is no provision for Federal Income taxes.

The hearing before the United States Tariff Commission, held October 5, 1965, resulted in a tie vote. No decision has been announced as to whether or not a tie vote entitles the Company to qualify for Federal Adjustment Assistance under the provisions of the Trade Act of 1962.

Rather than continue to wait for a decision the Company has obtained a loan from commercial banks which materially reduces its borrowing costs. If at a later date a favorable ruling should result, then the Company can petition for financial assistance under the provisions of the Act.

On January 3, 1966, facilities for a 70% increase in hardwood paneling went into production at the New Albany, Indiana plant. By April 15, 1966 additional facilities at Antigo, Wisconsin will be in production.

The backlog of orders for this time of the year is substantial. If the economy stays at present levels, 1966 should be exceptionally good.

The patent litigation is finally drawing to a close. Although its Microseal patent (No. 2,827,935) was validated in Federal Court in March of 1964, the Company appealed the decision inasmuch as the court simultaneously ruled in effect, that although the patent was valid, that in this particular case infringement had not been established. Based on law and fact our attorneys believe that infringement was proved and therefore the decision was appealed.

Although no exact date has been set, the Federal Sixth Circuit Court of Appeals, Cincinnati, Ohio, has scheduled the hearing to be held in the month of April.

March 10, 1966

Hugh M. Reed Jr.
President

Appendix C

Wall Street Journal, Dec. 29, 1966.

Appeals Court Upholds Prefinishing Patent Of General Plywood

Decision Also Backs Lower Court Ruling That U.S. Plywood Has Not Infringed on the 'Patent

By a WALL STREET JOURNAL *Staff Reporter*

LOUISVILLE—A lower court decision, upholding the validity of a General Plywood Corp. patent on a process for prefinishing plywood, was approved by the U.S. Sixth Circuit Court of Appeals in Cincinnati, Henry M. Reed Jr., president, said.

At the same time, the appeals court also upheld the lower court's decision that U.S. Plywood Corp. had not infringed on the patent.

Gene C. Brewer, president of U.S. Plywood, said in New York he was "gratified" that the lower court's decision that U.S. Plywood hasn't infringed on General Plywood's patent had been upheld.

General Plywood closed on the American Stock Exchange yesterday at $8.75. It was the day's most active stock, declining $5.75. U.S. Plywood closed on the New York Stock Exchange at $42.875.

The Cincinnati court ruling resulted from long-standing litigation involving a charge by General Plywood that U.S. Plywood had infringed on its patent for the wood finishing process. In March 1964, the U.S. district court in Louisville validated the patent but held that it hadn't been infringed on by U.S. Plywood.

General Plywood has not decided if further legal action will be taken, Mr. Reed said.

Appendix C

Louisville Times, Jan. 23, 1967.

Patent Infringement Can Be Proved, General Plywood President Believes

By CHARLES E. TEEPLE
Louisville Times Business Editor

Henry M. Reed Jr., president of General Plywood Corp., believes that infringement of his company's Microseal patent can be proved.

"Ninety-five per cent of the people in the hardwood plywood business are using the Microseal process," Reed told stockholders of the Louisville firm at the annual meeting today.

The company's patent has been held to be valid in two court decisions, but both the U.S. District Court here and the Court of Appeals in Cincinnati decided that infringement of the patent by U.S. Plywood Corp. hadn't been proved.

"It may be wishful thinking, but in most cases the danger in an important patent is whether it can be proved to be valid," Reed said.

As to proving infringement of the patent, Reed said:

"I think it can be done."

Filed Petition for Rehearing

The General Plywood executive told the stockholders that the company filed a petition for rehearing with the U.S. Court of Appeals last week. He said the petition was based on "errors in the findings" in the court's decision, which was announced late in December.

"After we get a ruling on the petition we'll decide what course of action to follow from here on," Reed said.

"I'm old-fashioned enough to believe that if you're right and you fight you can win," Reed said. "As long as I'm here we won't stop. Inside, you know whether you're right or wrong. I know we're right."

The Microseal process produces a smooth, shiny surface on plywood through the application of heat and nonabrasive rubbing. Reed said after the meeting that only a small fraction of those using the process have been licensed to do so.

General Plywood also has a patent on a Super Microsealing process, which includes the use of a synthetic thermosetting resin. None of the litigation thus far has concerned the Super Microsealing process.

Business Termed Good

"Business today is better than it really should be, considering this time of year in building," Reed told the stockholders. He pointed out that housing starts had dropped to their lowest rate in 25 years.

He estimated after the meeting that General Plywood wouldn't have a loss for the first fiscal quarter, which ends Jan. 31.

"This is the season we normally would lose money or break even," Reed said. "I don't know whether we'll make any money in the first quarter, but we're certainly not going to lose any."

General Plywood had an unusually strong first quarter last year, earning $612,246 or 13 cents a share on sales of $3,355,952. For the full year ended Oct. 31, General Plywood had net income of $522,758 or 40 cents a share.

The company produces architectural doors and hardwood plywood paneling. It recently increased the capacity of its plants at New Albany and Antigo, Wis., and will begin production tomorrow in a new plant at South River, Ontario.

Kenneth E. Hull, vice-president for plywood sales, was added to the board of directors, raising the total to 10. He has been with the company more than three years.

The meeting was the first in the company's new headquarters building at 417 S. 32d. General Plywood moved into the building three weeks ago. The walls are paneled in 28 to 30 species of plywood, providing a showcase of the firm's products.

Louisville Courier Journal, Jan. 24, 1967.

Rehearing Asked

General Plywood Corp. Continues Patent Fight

By JACKSON SELLERS
Courier-Journal Staff Writer

Louisville's General Plywood Corp. will continue its patent-infringement fight against New York's U. S. Plywood Corp., according to General Plywood President Henry M. Reed Jr.

At an annual meeting of General Plywood stockholders yesterday, Reed said General Plywood attorneys have filed a petition for a rehearing before the Sixth Circuit Court of Appeals in Cincinnati.

The request for a rehearing is based on "certain errors" in the court's "disappointing" decision last month, he said.

In effect, the appeals court upheld a 1964 decision of the U. S. District Court in Louisville concerning a General Plywood wood-finishing process called Microseal.

Fighting Big Industries

The lower court ruled that General Plywood's patent was valid but that U.S. Plywood had not infringed on it. Both companies appealed to the higher court "where we came up with the same kind of split decision," Reed said yesterday.

General Plywood's process, patented in 1958, provides a smooth, glossy finish to wood by rubbing it with a non-abrasive belt and applying intense heat.

"A survey shows that 95 per cent of the people in the panel business are using the Microseal process today," Reed told stockholders attending the meeting.

He said later that only a small percentage are paying royalties to the Louisville company.

"We are fighting some pretty big industries," he added.

Admitting that the rehearing request was "only a technical step," Reed said the board of directors will meet later to choose "a new course of action."

Kenneth E. Hull, vice president of plywood sales, was added to the board of directors yesterday. He has been with the company three years and owns 393 shares of its stock.

The nine other directors were re-elected.

Reed also announced that the firm's $500,000 Canadian veneer mill at South River, Ontario, started part-time operation this week.

The meeting was in General Plywood's new headquarters, 417 S. 32nd, where the rooms and hallways are paneled with about 30 varieties of the company's products.

General Plywood stock was the fourth most-active stock on the American Stock Exchange yesterday. With 70,000 shares traded, the stock closed at $9.25 a share, up $1.12½ from the previous close.

Appendix C

Wall Street Journal, Feb. 15, 1967.

General Plywood Denied Rehearing on Patent Suit Against U.S. Plywood

By a WALL STREET JOURNAL *Staff Reporter*

CINCINNATI—A petition by General Plywood Corp. for a rehearing in its patent litigation with U.S. Plywood Corp. has been denied by the U.S. Circuit Court of Appeals here.

The petition, General Plywood said, had been based on "errors in the findings" in a decision handed down by the appeals court last December. That decision upheld an earlier Federal district court decision that General Plywood's Microseal patent is valid but that the company had failed to prove U.S. Plywood had infringed the patent.

The Microseal patent is for a wood-finishing process using heat and nonabrasive rubbing.

Appendix C

General Plywood Corporation Quarterly Report,
Jan. 31, 1967.

General Plywood Corporation and Subsidiary

OPERATING DATA:

	Three Months Ended January 31	
	1967	1966
Net Sales	$2,979,913	$3,355,952
Net Profit or (Loss)	(65,144)	162,246

Profit (1966) is after state and foreign income taxes; however, since the Company has a loss carry-forward there is no provision for Federal Income Taxes.

First quarter sales declined 11% compared to the same period of last year and a loss of $65,144 was incurred.

The first quarter (November, December and January) is historically the Company's slowest season. The 30% drastic reduction in residential building during 1966 was not felt much until November because of our previous order file and increased distribution due to new customers.

Despite the 11% reduction in sales volume, the first quarter loss was due mostly to "starting up" expenses of new and expanded plant facilities.

The Company's new plant at South River, Ontario, Canada started pilot operations in January and the expected results should be realized during the last half of this year.

Since the middle of December business has improved considerably and, with a lessening in the stringent credit restrictions experienced during the past year, there are indications that the building industry should improve.

On February 14, 1967 the Sixth Circuit Court of Appeals corrected several errors in its findings but denied the Company's petition for a rehearing of the decision it rendered December 28, 1966. This decision upheld the lower court which in effect ruled General Plywood's Microseal patent to be valid but that infringement had not been proven.

Insomuch as two courts have upheld the validity of the Microseal patent, the Company is now studying what future course of action to follow.

March 1, 1967

Hugh M. Reed Jr.
President

Appendix C

General Plywood Corporation Reply Brief (p. 63) in Court of Appeals (Appeal No. 16,195).

THE "FUNCTIONALITY" DEFENSE IS NOT APPLICABLE TO A METHOD PATENT

The contention that the claims of the patent are invalid because "functional" is wholly without merit because the patent in suit is a *method* patent,—one in which the invention resides solely in the performance of certain manipulative steps. Any patentable method is nothing more than a novel functional performance of some kind and hence can only be defined by statements of function. The language employed in the claims of the Alexander patent in suit are exactly parallel in character to those in the patent sustained by the Supreme Court in *Smith* v. *Snow*, 294 U. S. 1, 70 L. Ed. 721. The critical feature of the method defined in the patent there involved was the step of applying a current of heated air

> "of sufficient velocity to circulate, diffuse and maintain the air throughout the chamber at substantially the same temperature."

This language is equally subject to the attack leveled against the criticized language in the claims of the Alexander patent. Note that the claim in *Smith* v. *Snow* specified the performance of a step in such a way as to produce a specified result. Similarly, the claims of Alexander also specify the performance of certain steps in such a way as to produce a specified result.

USP, in support of its argument of functionality, relies upon decisions in cases involving *apparatus* patents where a very different rule applied. Thus, in the cited case of *General Electric Co.* v. *Wabash Appliance Co.*,

304 U. S. 364, the invention resided in an incandescent lamp. In *Halliburton* v. *Walker*, 329 U. S. 1, the invention resided in equipment for measuring the depth of well pipe. Moreover, since Halliburton, Congress has enacted 35 USC 112, the last sentence of which was enacted to overrule the doctrine of the *Wabash* and *Halliburton* cases. *Aluminum Company of America* v. *Sperry Products Inc.*, 285 F. 2d 911, 915, CA 6; *In re Fisher*, 314 F. 2d 817, 818; CCPA; *Bryan* v. *Sid W. Richardson, Inc.*, 254 F. 2d 191, 194, CA 5.

JUDGMENT OF THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

(No. 16,194)

(Filed December 28, 1966)

Before: PHILLIPS, EDWARDS and CELEBREZZE, Circuit Judges.

Appeal from the United States District Court for the Western District of Kentucky

This Cause came on to be heard on the record from the United States District Court for the Western District of Kentucky and was argued by counsel.

On Consideration Whereof, It is now here ordered and adjudged by this Court that the judgment of the said District Court in this cause be and the same is hereby affirmed.

It is further ordered that each party pay its own costs on appeal.

Entered by order of the Court.

/s/ Carl W. Reuss,
Clerk